and losses of the Collateral Coverage Contract bear functional relationships to the premiums of an insurance or reinsurance policy, or group of policies and the losses recovered under those policies.

Page 13, replace the first paragraph of the Product Overview section with the following:

-Fig 1 shows how a Collateral Coverage Contract's premiums and the losses may be related to the premiums paid for and the losses recovered under an insurance policy or group of policies. It also shows the various parties to these contracts. An insurer **1** writes insurance policies **2** for an insured or group of insureds **3**. The insurer uses a Collateral Coverage Contract **4** to purchase collateral loss expense coverage based on the performance of the insurance contract or group of contracts it has written **2**.

Page 18, replace the paragraph labeled Additional Embodiments with the following:

- Although the basic methodology for Collateral Coverage remains the same as described above, there are numerous embodiments of this concept. This method can be applied to all types of insurance policies including property, casualty, health, and life insurance. Collateral Coverage can be offered by insurers, banks, or other types of entities. Furthermore, Collateral Coverage can be offered in the form of an insurance policy or take many other contract forms. Collateral Coverage may be offered in amounts that are directly proportional or indirectly related to the premiums paid and the losses that are recovered from an underlying insurance or reinsurance policy. Moreover, a Collateral Coverage Contract may be constructed so that its premium bears no functional relationship to the premium of the policy that is used to determine the contract's losses because the Collateral Coverage Contract's premiums are determined by using some other underwriting methodology.